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SIPDIS

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SUBJECT: MEXICAN PRESIDENT DRUMS UP OILPATCH INVESTMENT DURING CALGARY VISIT

¶11. (SBU) Calgary was the first stop on Mexican President Vicente Fox's whirlwind tour of Western Canada on Thursday, September 29th. The trip was designed to "strengthen commercial, political and educational ties between Western Canada and Mexico". During his one-day visit to Calgary, President Fox, focused primarily on meeting with officials in Alberta's oilpatch, but also met with other political leaders, representatives from local Mexican communities, and the media. This was President Fox's first visit to Calgary. His last trip to Canada was to Ottawa in October 2004.

¶12. (SBU) The centerpiece of the Mexican President's Calgary visit was a luncheon hosted by Alberta Intergovernmental and International Relations Minister Ed Stelmach, who represented Premier Ralph Klein. The Alberta Premier was in South Africa attending the World Petroleum Congress. Officials from Alberta's energy, agricultural and education sectors attended the luncheon, as well as Fox's entourage of 30 Mexican business leaders. President Fox used the luncheon as a forum to encourage investment in Pemex, Mexico's state-owned energy company, saying the Mexican Government has made huge strides in the past five years in fighting corruption and improving stability. President Fox also reiterated his support for NAFTA, presenting his plan for expanding the organization's role, including a new provision for energy. Since the commencement of NAFTA, Alberta-Mexico trade has quadrupled to C\$15.73 billion. As an aside, President Fox stayed neutral on the current softwood lumber "trade war" between the United States and Canada, adding that he regrets "any unilateral decision that fails to abide by the decisions of the arbitration panels where trade differences are discussed and aired".

¶13. (SBU) The luncheon was followed by a conference held at the University of Calgary, where President Fox discussed new oil exploration and recovery techniques with university researchers.

The meeting was marred just hours before President Fox's arrival, when two mail workers were hospitalized for injuries sustained when a suspicious package was opened, releasing an unknown substance into the air. It was unknown whether the incident was related to President Fox's visit. There was also a small protest outside the university, organized by the parents of a Calgary college student who was murdered while enrolled in a Mexican exchange program. The student's mother, Ms. Cher Ewing, told reporters she was attempting to force President Fox to better enforce organized crime statutes.

Comment

¶14. (SBU) The primary focus of President Fox's visit to Alberta was to lay the groundwork for future natural gas deals with resource rich Alberta. The Mexican President, who has attempted to visit Alberta several times over the last five years, has repeatedly warned of the need for a diversification of Mexican energy resources. His visit, while welcomed by members of the oilpatch, highlighted current energy problems facing the Mexican government. Local energy analysts believe the President's plans for reform are a step in the right direction, but hold out little hope that the President's efforts to allow for a larger role for private investment in cash-strapped Pemex will come to fruition any time soon.

¶15. (SBU) That said, the Mexican Trade Consul in Calgary, who accompanied President Fox to all of his Calgary meetings, told Econ Assistant that the President's message was well received and there continues to be much interest in investing in Mexico's energy sector. The Trade Consul said it is "painful" to let Mexico's resources sit in the ground if oil belongs to all Mexicans." He opined that it would not be necessary to reopen the Mexican Constitution to implement the kind of reform that President Fox is aiming toward. He claims that "interpretation" of certain wording within the Mexican Constitution will play an important role in determining how "private" investment rather than "foreign" investment could occur in Mexico. In any event, the Consul suggested that President Fox plans to announce such reform before the end of the year.

